

# BEFORE THE BOARD OF OIL, GAS AND MINING DEPARTMENT OF NATURAL RESOURCES STATE OF UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF BILL BARRETT CORPORATION FOR AN ORDER POOLING ALL INTERESTS, **INCLUDING** COMPULSORY POOLING OF THE INTERESTS **CERTAIN NON-CONSENTING** OF UNLOCATABLE OWNERS, IN **SPECIAL** DRILLING UNIT #17, ESTABLISHED FOR THE **PRODUCTION** OIL, **GAS** OF AND ASSOCIATED HYDROCARBONS FROM THE **GREEN LOWER RIVER-WASATCH** FORMATIONS, COMPRISED OF LOT 1 OF SECTION 16, AND LOTS 1 THROUGH 5, W½SE¼, SW¼ AND E½NW¼ OF SECTION 17, TOWNSHIP 2 SOUTH, RANGE 2 EAST, USM, AND LOTS 1 THROUGH 4, NE¼ AND E½SE¼ [A/K/A RESURVEY NO. 42] OF SECTION 9, TOWNSHIP 6 SOUTH, RANGE 19 EAST, SLM, UINTAH COUNTY, UTAH

# FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

Docket No. 2015-022

Cause No. 131-140

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, August 26, 2015, at 9:00 a.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City, Utah. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Susan S. Davis, Gordon L. Moon, Carl F. Kendell, Chris D. Hansen, and Michael R. Brown. Board member Richard K. Borden was unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Participating and testifying on behalf of Petitioner Bill Barrett Corporation ("BBC") electronically from BBC's Denver offices (pursuant to authorization granted under Board Order entered on August 19, 2015) were Teale P. Stone – Landman, David M. Watts – Land Manager, and Brent A. Murphy – Drilling Engineering Advisor. Mr. Watts and Mr. Murphy were recognized by the Board as experts in petroleum land management and petroleum engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared in person before the Board as attorney for BBC.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but participated in the hearing. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for, and John Rogers, Associate Director, made a statement on behalf of, the Division. Mr. Rogers expressed that the Division had no objection to the granting of BBC's Request for Agency Action dated July 8, 2015 as conformed to the testimony and evidence received at the hearing (the "Request") and offered no position on the percentage of risk allocation award.

Fredric J. Donaldson, Esq., Assistant Attorney General, appeared in a limited capacity on behalf of the Utah Department of Transportation ("UDOT") and the Utah Division of Forestry, Fire and State Lands ("DFFSL"); specifically, to stipulate on the record that the Agencies consent to the pooling of the UDOT/DFFSL interests and leases

retroactively to November 5, 2014, being the date of first production of the well on the Drilling Unit at issue. Mr. Donaldson also stated that confirmatory documentation was being circulated for execution and would be filed with the Board for inclusion in this Cause file within the next few weeks.

On August 13, 2015, the Board received a handwritten mark-up of the Notice of Hearing in this Cause from Sandy McGibbon stating, "[p]lease take this name off the list. I am 87 years old and I have no further interest in this matter." Mr. McGibbon did not appear at the hearing.

No other party filed a response to BBC's Request and no other party appeared or participated at the hearing. As a consequence of their respective failures to timely file a response and appear at the hearing after proper notice to them, BBC made an oral motion at the commencement of the hearing to declare all of the compulsory pooled parties (as named below) in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400, which the Board granted.

The Board, having considered the testimony presented and exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

#### FINDINGS OF FACT

- 1. BBC is a Delaware corporation in good standing, with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.
- 2. Pursuant to its Order entered on April 16, 1975 in Cause No. 131-27 (the "131-27 Order"), as modified by the Orders entered on April 17, 1985 in Cause No. 139-42 (the "139-42 Order") and entered on November 14, 2013 in Cause No. 139-06 (the "139-106 Order") (the 131-27, 139-42 and 139-106 Orders collectively hereinafter the "Applicable Orders"), the Board established the following described Uintah County, Utah lands, designated "Special Drilling Unit #17" under the 131-27 Order, as a drilling unit for the production of oil, gas and associated hydrocarbons from the Lower Green River-Wasatch formations, defined as:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW¼NW¼, Section 3 Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard well located in the NW¼SE¼ of said [Section 3]), to the base of the Green River-Wasatch formations

(the "Subject Formations"):

# Township 2 South, Range 2 East, USM

Sec. 16: Lot 1 (3.08 ac.)

Sec. 17: Lots 1, (31.38 ac.), 2 (39.99 ac.),

3 (8.55 ac.), 4 (25.70 ac.), and 8 (39.78 ac.),  $W^{1/2}SE^{1/4}$ ,  $SW^{1/4}$  and

E1/2NW1/4

# Township 6 South, Range 19 East, SLM

Sec. 9: Resurvey No. 42 [a/k/a Lots 1 through 4, NE<sup>1</sup>/<sub>4</sub> and E<sup>1</sup>/<sub>2</sub>SE<sup>1</sup>/<sub>4</sub>] (240.09 ac.),

comprising an aggregate 714.57 acres (the "Drilling Unit"). Most recently, the Board authorized up to four producing wells upon said drilling unit, to be drilled at the option of the operator and with the operator's full discretion as to the development of the hydrocarbon resources; provided that each additional well shall be no closer than 1,320 feet from an existing unit well completed in and producing from the formations, and no closer than 660 feet from the drilling unit boundary, without an exception location approval.

3. Oil and gas ownership within the Drilling Unit is divided into 21 different tracts, as depicted on and described in Exhibit "D" admitted into evidence, all but three of which are owned in fee (privately). Tracts 9 (2.27 acres), 12 (4.87 acres) and 18 (4.89 acres) are owned by UDOT and administered by DFFSL. Tracts 9 and 12 are subject to State of Utah Oil, Gas and Associated Hydrocarbons Lease SLA-731 under which Crescent Point Energy U.S. Corp ("Crescent Point") is the current lessee, and

Tract 18 is subject to State of Utah Oil, Gas and Associated Hydrocarbons Lease SLA-796, issued on August 14, 2015, under which International Petroleum Limited Liability Company ("Int'l Pet.") is the current lessee. The majority of the remaining fee interests are under lease to BBC, Crescent Point, Robert L. Bayless Producer, LLC ("Bayless"), Rheage Oil, L.L.C. ("Rheage") and/or Int'l Pet. Each fee lease grants the lessee the unilateral right to pool the lease with other leases within the Drilling Unit, or the written consent of the lessor to pool has since been obtained.

- 4. BBC, Crescent Point, Bayless, Rheage and Int'l Pet. have executed, or are subject to, by virtue of their predecessor in title's execution of, AAPL Form 610-1989 Form Joint Operating Agreements ("JOA's"), which are standard in form with some modifications standard for Uinta Basin operations, and which all name BBC as Operator. All contain the materially same terms.
- 5. In addition to leasehold working interests, BBC also owns undivided unleased interests in several tracts. QEP Energy Company ("QEP"), Nortex Corporation ("Nortex"), Michael Curran, Jr., and Croff Oil Company, Inc. ("Croff") also own undivided unleased interests in various tracts. Each of these parties has executed JOA's which contain the materially same terms as those addressed in Paragraph 4. As relating to the unleased interests, Exhibit "B" attached to these JOA's provides the following royalties shall be payable to the following signatories:

BBC and QEP

20%

Nortex, Mr. Curran, Jr. and Croff

1/8 (12.5%)

- 6. All of the JOA's provide, among other matters, for a 100%/300% risk compensation award on non-consented subsequent operations, and interest chargeable at the prime rate of J.P. Morgan Chase Bank, N.A., plus 1%. As a consequence, 97.530319% of the working interest within the Drilling Unit has been voluntarily pooled by contract. These parties made participation elections in the drilling of the FD 10-17-2-2 Well located upon (and now producing from) the Drilling Unit (the "Subject Well"), the consequences of which are governed by the respective executed JOA.
- 7. Mary Ellen Slemaker Benien owns an unleased undivided 0.542887% interest in oil and gas in Tract 2 (91.38 acres). However, her interest has not been voluntarily pooled.
- 8. Servipetrol, Inc. ("Servipetrol") owns an unleased undivided 0.117528% interest in oil and gas in Tract 2 (91.38 acres) and an unleased undivided 0.075136% interest in oil and gas in Tract 21 (246.09 acres). However, its interests have not been voluntarily pooled.
- 9. Oress Adams purports to own an unleased undivided 0.000979% interest, Gwen Schock, Sandy McGibbon, Ralph McGibbon, Noreen Newsham, Helen Spring and Roma Hawk each purport to own an unleased undivided 0.000735% interest, Carol Lynn

Knowles and Clyde Smith each purport to own an unleased undivided 0.000367% interest, and Beverly Thubadeau, a/k/a Beverly Thibadeau, and Robert McGibbon each purport to own an unleased undivided 0.000245% interest, all in oil and gas in Tract 2 (91.38 acres). In addition, Oress Adams purports to own an unleased undivided 0.000626% interest, Gwen Schock, Sandy McGibbon, Ralph McGibbon, Noreen Newsham, Helen Spring and Roma Hawk each purport to own an unleased undivided 0.000470% interest, Carol Lynn Knowles and Clyde Smith each purport to own an unleased undivided 0.000235% interest, and Beverly Thubadeau, a/k/a Beverly Thibadeau, and Robert McGibbon each purport to own an unleased undivided 0.000157% interest, all in oil and gas in Tract 21 (246.09 acres). All of these interests apparently derive through the Estate of Frederick M. Mueller [Sr.]. However, none of these interests have been voluntarily pooled.

10. Mark Haraway purports to own an undivided unleased 2.083333% interest, Megan Curran purports to own an unleased undivided 0.416667% interest, and Kathleen Watson purports to own an unleased undivided 0.3125% interest, all in oil and gas in Tracts 13 (8.78 acres), 14 (8.79 acres) and 15 (8.78 acres) and all through the Estate of Jennie F. Maguire. In addition, Megan Curran purports to claim an unleased undivided 8.333333% interest in oil and gas in Tract 15 (8.28 acres) through the Estate of Michael A. Curran [Sr.]. However, none of these interests have been voluntarily pooled.

Despite diligent efforts, neither BBC nor its leasing broker, Encore Land Services, Inc. ("Encore"), has been able to locate or contact Megan Curran.

11. As stated in Paragraph 4 above, BBC, Crescent Point, Bayless, Rheage and Int'l Pet. have the majority of the fee interests in the Drilling Unit under lease. Title to some of the underlying oil and gas in various tracts, however, remains vested in the following parties, all now determined to be deceased:

Clayton N. Smith

Harry Pulaski

Rayburne Thompson [Sr.]

A.W. Dugan, a/k/a Al W. Dugan

Leon Lewis

Lilly Sourasky, a/k/a Lily Sourasky

Leon Sourasky

R.K. Stokes, a/k/a Reginal Knox Stokes

Doris Bessudo

Reuben W. Askanase

John A. Stokes, a/k/a

Johnie A. Stokes

Frederick M. Mueller [Sr.]

Ben D. Battlestein

Wendell F. Tufford

Friedrich W. Conrad [Sr.]

Evelyn Golden

Raymond C. Tufford

N.J. Meagher, Jr.

Lella Moore

Eulalia B. Ross

Rodney D. Ross

Dorothy A. Clark

Jennie F. Maguire

Michael A. Curran [Sr.]

BBC and Encore have conducted diligent investigation into who these parties' successors may be, including internet searches of genealogic websites (such as FamilySearch.org, FindaGrave.com, *etc.*), obtaining heirship affidavits from known relatives or friends, and probate searches. While BBC believes it has all such successors under lease, <u>except</u> as addressed in Paragraphs 9 and 10 above, there are no final Utah court orders confirming the succession through these Estates.

- 12. The records further reflect Evelyn Bond and Emma Phillips each as the owner of an undivided 25% interest in oil and gas in Tracts 13 (8.78 acres), 14 (8.79 acres), and 16 (8.78 acres). In addition, the records reflect Evelyn Bond is the owner of an undivided 25% interest in Tract 15 (8.78 acres). BBC is aware both parties are deceased, but there are no Utah probate proceedings for either party's estate and, despite diligent efforts, BBC and Encore have been unable to identify any successors to either party to which offers to lease or participate and/or voluntarily pool their interests could be directly sent.
- 13. The deceased parties identified in Paragraphs 11 and 12 above are collectively hereinafter referred to as the "Decedents."
- 14. Commencing in November 2012, BBC, through Encore, conducted good faith negotiations for the leasing of Mary Ellen Slemaker Benien's interest but no response was ever received. By Letter dated May 19, 2015, with confirmed receipt on

June 2, 2015, BBC provided Ms. Benien with an offer to lease or participate as an unleased working interest owner in the Subject Well, with enclosed authorization for expenditure ("AFE") and a proposed JOA. No response or tender of her share of the AFE'd costs was ever received.

- 15. Commencing in June 2014, BBC, through Encore, conducted good faith negotiations for the leasing or participation of Servipetrol's interest, but no mutually acceptable terms could be reached. By Letter dated May 19, 2015, with confirmed receipt on June 18, 2015, BBC provided Servipetrol with an offer to participate as an unleased working interest owner in the Subject Well, with enclosed AFE and proposed JOA. No response or tender of its share of the AFE'd costs was ever received.
- 16. Commencing in August 2014, BBC, through Encore, conducted good faith negotiations for the leasing or participation of the interests of Oress Adams, Gwen Schock, Sandy McGibbon, Ralph McGibbon, Beverly Thubadeau, a/k/a Beverly Thibadeau, Robert McGibbon, Noreen Newsham, Helen Spring, Roma Hawk, Carol Lynn Knowles and Clyde Smith, but no mutually acceptable terms could be reached. Several of them expressly stated that they did not want to be contacted or receive any further correspondence. By Letters dated May 19, 2015, with confirmed receipt or failure by the recipient to claim after notice as indicated:

Party Date of Receipt/Unclaimed

Oress Adams June 4, 2015

Gwen Schock Notice - June 5, 2015/Picked up - June 26, 2015

Sandy McGibbon Notice - June 4, 2015/Refused

Beverly Thubadeau, June 4, 2015 a/k/a Beverly Thibadeau

Ralph McGibbon June 9, 2015

Robert McGibbon Notice - June 4, 2015/Unclaimed

Noreen Newsham June 8, 2015

Roma Hawk June 4, 2015

Helen Spring Notice - June 11, 2015/Unclaimed

Carol Lynn Knowles June 4, 2015

Clyde Smith Notice - June 5, 2015/Picked up June 12, 2015,

BBC offered each party the opportunity to lease or participate as an unleased working interest owner in the Subject Well, with enclosed AFE and proposed JOA. Oress Adams affirmatively elected <u>not</u> to lease or participate, Roma Hawk responded in a June 6, 2015 Letter to BBC, reiterating her desire "not to be included in anything you [BBC] do with this property," and Mr. McGibbon responded directly to the Board as outlined in the preamble above. None of the other parties have responded, and no party tendered their respective share of the AFE'd costs.

17. Commencing in February 2015, BBC, through Encore, conducted good faith negotiations for the leasing or participation of the interests of Mark Haraway and Kathleen Watson, but no mutually acceptable terms could be reached. By Letters dated May 19, 2015, with confirmed receipt or failure by the recipient to claim after notice as indicated:

Party	Date of Receipt/Unclaimed

Mark Haraway June 2, 2015

Kathleen Watson May 28, 2015

BBC offered each party the opportunity to lease or participate as an unleased working interest owner in the Subject Well, with enclosed AFE and proposed JOA. No response or tender of their proportionate share of the AFE'd costs was received.

18. Pursuant to the Board's Order entered July 14, 2015, a notice of the opportunity to lease or to participate in the Subject Well as an unleased working interest owner, expressly directed to and naming Megan Curran and all parties claiming oil and gas ownership in the Drilling Unit by, under or through the Estates of Evelyn Bond and Emma Phillips and otherwise directed to any and all parties not already leased or participating in the Subject Well and claiming oil and gas ownership within the Drilling Unit by, through or under any of the remaining Decedents, was published in the Uintah

Basin Standard on July 14, July 21 and July 28, 2015. No responses to said published offer or any tender of the respective share of costs were ever received.

- 19. Mary Ellen Slemaker Benien, Servipetrol, Oress Adams, Sandy McGibbon, Gwen Schock, Beverly Thubadeau, a/k/a Beverly Thibadeau, Ralph McGibbon, Noreen Newsham, Robert McGibbon, Roma Hawk, Helen Spring, Clyde Smith, Carol Lynn Knowles, the unknown successors of Emma Phillips, deceased, the unknown successors of Evelyn Bond, deceased, Mark Haraway, Kathleen Watson, Megan Curran, and all parties not leased or otherwise not participating in the Subject Well and claiming title by, through or under any of the remaining Decedents are collectively hereinafter referred to as the "CP Parties."
- 20. In accordance with the Applicable Orders and its Application for Permit to Drill approved by the Division of Oil, Gas and Mining, BBC spud the Subject Well on August 27, 2014, at a location in the NW¼SE¼ of Section 17 (2,312' FSL and 2,935' FWL) and completed it as a producing oil well, and with first production achieved on November 5, 2014. The Subject Well was completed and produces from intervals within the Subject Formations. It also was deemed "economically feasible" to drill as that term is utilized in the Applicable Orders.
- 21. The Subject Well is the first and only well located upon the Drilling Unit.

  As reflected by Exhibit "8" admitted into evidence, the nearest existing producing wells

at the time the Subject Well was spud were located over one mile away, and, as to the wells located to the west and southeast, the production data encompassed less than two months' time. The Subject Well, therefore, was considered a "step-out" well. In addition, the complex nature of the Lower Green River-Wasatch formations presents inherent risks. In order to drill to total depth, with the amount of shows, sufficient mud weight is necessary for control, but an improper weight could result in breaking down and losing returns in shallower zones, requiring a delicate balance with associated risks. As a consequence, the Subject Well inherently carried an elevated risk of successful completion and production.

- 22. Given the findings outlined in Findings of Fact Nos. 14-18 and 21 above, and based on the other evidence presented, the risks assumed by BBC and the other participating working interest owners in the drilling of the Subject Well justifies a 300% risk compensation award.
- 23. The terms and conditions of the JOA, admitted into evidence at the hearing as BBC's Exhibit "5" and attached hereto and by this reference incorporated herein, are justified, fair and reasonable, materially consistent with those of the other JOA's covering the Drilling Unit, as well as other lands within the greater Uinta Basin, and are appropriate to govern the relationship between BBC, as Operator, and the CP Parties, to the extent not inconsistent with this Order.

- 24. The average weighted fee royalty interest in the Drilling Unit, which accounts for the royalties under the various JOA's, is 17.015450%.
- 25. An interest rate charge of prime rate in effect at JP Morgan Chase Bank plus 1% is justified, fair and reasonable.
- 26. Estimated plugging and abandonment costs of \$75,000 based on 100% working interest ownership are justified, fair and reasonable.
- 27. As of July 27, 2015, the actual costs of drilling the Subject Wells were \$3,258,083 based on a 100% working interest and as detailed on Exhibit "7" admitted into evidence. Said costs are deemed justified, fair and reasonably incurred.
- 28. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed, to those of the CP Parties with known or previously validated addresses. In addition, a copy of the Request was mailed, postage pre-paid, to all other production interest owners within the Drilling Unit and to the DFFSL, as a regulatory agency having jurisdiction over oil and gas ownership in portions of the Drilling Unit. Said mailings were sent to the parties' last address disclosed by the relevant Uintah County and Agency realty records and BBC's internal land records.
- 29. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and Deseret Morning News on August 2, 2015, and in the Uintah Basin Standard and Vernal Express on August 4, 2015.

30. The vote of the Board members present in the hearing and participating in this Cause was unanimous (6-0) in favor of granting the Request.

### **CONCLUSIONS OF LAW**

- 1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.
- 2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §40-6-6.5.
- 3. BBC has sustained its burden of proof, demonstrated good cause and satisfied all legal requirements for the granting of the Request as conformed to the testimony and evidence received at the hearing.
- 4. Pursuant to the holding in *Cowling v. Board of Oil, Gas and Mining*, 830 P.2d 220, 226 (Utah 1991), the Applicable Orders established, upon their respective entry, the parties' correlative rights to production from any well located on the Drilling Unit.
- 5. BBC exercised good faith in attempting to solicit from all of the CP Parties the leasing or participation of their interests in the Subject Well.

- 6. Due to their failure to timely respond to the Request and to appear at the hearing after proper notice, all of the CP Parties are declared in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400.
- 7. The CP Parties are deemed "non-consenting owners," as that term is defined in Utah Code Ann. §40-6-2(11), as relating to the Subject Well, and are properly deemed to have refused to agree to bear their respective proportionate share of the costs of the drilling and operation of the said Well as provided in Utah Admin. Code Rule R649-2-9(1).
- 8. BBC, as Operator on behalf of itself, Crescent Point, Bayless, Rheage, Int'l Pet., QEP, Nortex, Michael Curran, Jr., and Croff, is deemed a "consenting owner," as that is defined in Utah Code Ann. §40-6-2(4), as relating to the Subject Well.
- 9. The compulsory pooling of the CP Parties' interests in the Drilling Unit retroactive to November 5, 2014, being the date of first production of the Subject Well, under the terms and conditions set forth in this Order is just and reasonable, and insures all parties will receive their fair and equitable share of production from the Subject Well.

## **ORDER**

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

- 1. The Request as conformed to the testimony and evidence received at the hearing in this Cause is granted.
- 2. The interests of all parties subject to the jurisdiction of the Board, specifically including the CP Parties in the Drilling Unit, are pooled retroactively to November 5, 2014 (being the date of first production of the FD 10-17-2-2 Well).
- 3. Operations on any portion of the Drilling Unit shall be deemed for all purposes to be the conduct of operations upon each separately owned tract in the Drilling Unit by the several owners.
- 4. Production allocated or applicable to a separately owned tract included in the Drilling Unit shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.
- 5. Each owner shall pay his allocated share of the costs incurred in drilling and operation of the Subject Well, including, but not limited to, the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, and storage facilities, reasonable charges for administration and supervision of operations, and other costs customarily incurred in the industry, all to be governed in accordance with the terms and conditions of the JOA executed with BBC or, only in the case of the CP Parties, the JOA attached hereto to the extent not otherwise inconsistent with this Order.

- 6. The CP Parties are "non-consenting owners" and BBC, as Operator of the Drilling Unit on behalf of itself, Crescent Point, Bayless, Rheage, Int'l Pet., QEP, Nortex, Michael Curran, Jr. and Croff, is a "consenting owner" as these terms are utilized in Utah Code Ann. §40-6-6.5, with respect to the Subject Well. Such parties shall hereinafter be referred to by utilizing such terms with capitalization.
- 7. The interests of the Non-Consenting Owners shall be deemed relinquished to the Consenting Owner during the period of payout for the Subject Well, as provided in Utah Code Ann. §40-6-6.5(8). The relinquishment does not constitute a defeasance of title to the interest in the mineral estate, but rather the relinquishment of the revenue stream attributable to the Non-Consenting Owners' allocated share during the respective period of payout after payment of the royalty provided herein.
- 8. Each Non-Consenting Owner shall be entitled to receive, subject to the royalty specified herein, the share of the production of the Subject Well applicable to such owner's interest in the Drilling Unit after the Consenting Owner has recovered the following from such Non-Consenting Owner's share of production: (1) 100% of the Non-Consenting Owner's share of the cost of surface equipment beyond the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and piping; (2) 100% of the Non-Consenting Owner's share of the estimated costs of plugging and abandoning the Subject Well, which estimated costs are and shall be \$75,000 (based on a

100% working interest); 100% of the Non-Consenting Owner's share of the cost of operation of the Subject Well, commencing with first production and continuing until the Consenting Owner has recovered all costs; and (4) a risk compensation award of 300% of the Non-Consenting Owner's share of the costs of staking the location, wellsite preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing, and the cost of equipment in the Subject Well, to and including the wellhead connection, as such costs are delineated in Utah Code Ann. §40-6-6.5(4)(d). The Non-Consenting Owner's share of costs is that interest that would have been chargeable to the Non-Consenting Owner had such owner initially agreed to pay such owner's share of the costs of the Subject Well, from the commencement of operations. In addition, a reasonable interest rate of prime in effect at JP Morgan Chase plus 1% shall be imposed per Utah Code Ann. §40-6-6.5(4)(d)(iii).

9. Each unleased Non-Consenting Owner shall receive a royalty equal to the average weighted fee landowner's royalty of 17.015450%. When calculating the division of interest for each such Non-Consenting Owner, the average weighted fee landowner's royalty shall be proportionately reduced in the ratio that said Non-Consenting Owner's interest bears to (1) the total interest in the tract and (2) then further reduced in the ratio that the tract acres bear to the total acreage in the Drilling Unit. The proportionately reduced royalty shall be paid to each unleased Non-Consenting Owner until such time as

such Non-Consenting Owner's share of costs, the 300% risk compensation award, and applicable interest charges have been fully recouped, as provided in Utah Code Ann. §40-6-6.5 and in this Order.

- 10. The Consenting Owner shall furnish each Non-Consenting Owner with monthly statements specifying:
  - a. costs incurred;
  - b. the quantity of oil or gas produced; and
  - c. the amount of oil and gas proceeds realized from the sale of production during the preceding month,

as relating to the Subject Well.

- 11. Upon the payout of the Subject Well, as set forth in Order No. 12 below, the Non-Consenting Owners' relinquished interests in said Well shall automatically revert to them, and the Non-Consenting Owners shall from that time forward own the same interest in the Well and the production from it, and shall be liable for the further costs of operation, as if such owners had participated in the initial drilling and completion operations.
- 12. Payout occurs when the Consenting Owner has recouped from the Non-Consenting Owners the costs and expenses of drilling and completing the Subject Well, together with the risk compensation award (non-consent penalty) and interest, as provided for in Order No. 8 above.

- 13. In any circumstance when any Non-Consenting Owner has relinquished such owner's share of production to the Consenting Owner or at any time fails to take such owner's share of production in-kind, when such owner is entitled to do so, such Non-Consenting Owner is entitled to an accounting of the oil and gas proceeds applicable to such owner's relinquished share of production; and payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.
- 14. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.
- 15. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. §63G-4-208 and Utah Administrative Code Rule R641-109.
- Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(e) (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §863G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial

review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. §63G-4-302, entitled, "Agency Review - Reconsideration," states:

- (1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.
- (b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.
- (2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.
- (3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.
- (b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.
- Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, "Rehearing and Modification of Existing Orders," states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for

Rehearing. If there is any conflict between the deadline in Utah Code Ann. §63G-4-302

and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this

matter, the Board hereby rules that the later of the two deadlines shall be available to any

party moving to rehear this matter. If the Board later denies a timely petition for

rehearing, the party may still seek judicial review of the Order by perfecting a timely

appeal with the Utah Supreme Court within 30 days thereafter.

17. The Board retains continuing jurisdiction over all the parties and over the

subject matter of this cause, except to the extent said jurisdiction may be divested by the

filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

18. For all purposes, the Chairman's signature on a faxed copy of this Order

shall be deemed the equivalent of a signed original.

DATED this 3rd day of September, 2015.

STATE OF UTAH

BOARD OF OIL, GAS AND MINING

By:

uland I Gill Ir Chairman

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#### **CERTIFICATE OF SERVICE**

I hereby certify that on this 4th day of September, 2015, I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER for Docket No. 2015-022 Cause No. 131-140, to be mailed by Email or via First Class Mail with postage prepaid, to the following:

Frederick M. MacDonald, Esq. MacDonald & Miller Mineral Legal Services, PLLC 7090 S. Union Park Avenue, Suite 400 Midvale, UT 84047 Bill Barrett Corporation Attention: David Watts, Land Manager 1099 18th Street, Suite 2300 Denver, CO 80202

Attorney for Bill Barrett Corporation

Steven F. Alder, Esq. Assistant Attorney General 1594 West North Temple #300 Salt Lake City, Utah 84116 [Via Email] Michael S. Johnson Assistant Attorney General 1594 West North Temple #300 Salt Lake City, Utah 84116 [Via Email]

Attorney for Division of Oil, Gas and Mining

Attorney for Board of Oil, Gas and Mining

# PARTIES TO BE COMPULSORY POOLED (NON-CONSENTING CP PARTIES):

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Calgary, Alberta T2T 0H8
Canada

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Ann Ince 2005 Huldy Street Houston, TX 77019 Oress Adams 94 Sydney Street, Apt. 204 Belleville, Ontario K8P 3Z7 Canada

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Beverly Thubadeau General Delivery L'Amable, Ontario K0L 2L0 Canada

Noreen Newsham 336 Country Club Circle-Victoria Place Bobcaygeon, Ontario K0M 7A0 Canada

Roma Hawk 18833 Willowcreek Blvd., Apt. 316 Peterboro, Ontario K9L 081 Canada

Clyde Smith 36 Oakbank Lane Fall River, Nova Scotia B2T 1Z3 Canada

The unknown successors of Emma Phillips, deceased [no address of record; service by publication]

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Gwen Schock 18 Old L'Amable Road L'Amable, Ontario K0L 2L0 Canada

Ralph McGibbon Barrie Manor, Room 102 304 Blake Street, Barrie, Ontario L4M 1L3 Canada

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Helen Spring 5074 Vivian Road Stouffville, Ontario, L4A 7X4 Canada

Carol Lynn Knowles 89 Pinetree Cresent Hammond Plains, Nova Scotia B3Z 1K4 Canada

The unknown successors of Evelyn Bond, deceased [no address of record; service by publication]

Paula Curran P.O. Box 1992 Newport Beach, CA 92659 Molly Curran, a/k/a Molly Curran Howlett 2924 South Sullivan Road Spokane Valley, WA 99038 Mark Haraway 104 Dorseys Chance New Market, MD 21774

Kathleen Watson 4767 County Road 2656 Royse City, TX 75189 Megan Curran [no address of record; service by publication]

Croff Oil Company, Inc., f/k/a Croff Mining Co.
16 Waterway Court
The Woodlands, TX 77380-2641

Kevin Curran P.O. Box 4604 Wayne, NJ 07474

Covey Minerals, Inc. c/o Highland Commercial Inc. 2733 E. Parleys Way, #304 Salt Lake City, UT 84109

# **ROYALTY COMPULSORY POOLED PARTIES:**

John M. Blair 837 Good Hope Drive Castle Rock, CO 80108 Gary Kornegay 5005 Woodway Drive, Suite 300 Houston, TX 77056

Rodney D. Susholtz, Trustee of the Adolph O. Susholtz Family Trust
Dated December 26, 2012
3834 Spicewood Springs Road, Ste. 202
Austin, TX 78759

Utah Department of Transportation 4501 S. 2700 West Salt Lake City, UT 84119

## **PARTICIPATING WORKING INTEREST COMPULSORY POOLED PARTIES:**

Rheage Oil, L.L.C. 3402 S. Evergreen Place Salt Lake City, UT 84106 Crescent Point Energy U.S. Corp. Attn: Nicole Bailey 555 17<sup>th</sup> Street, Suite 1800 Denver, CO 80202 International Petroleum LLC, d/b/a International Petroleum Limited Liability Company 4834 S. Highland Drive, Suite 200 Salt Lake City, UT 84117

## **SUPERVISORY GOVERNMENTAL AGENCIES:**

Utah Division of Forestry, Fire and State Lands Attn: Jamie Barnes 1594 W. North Temple, Suite 3520

Salt Lake City, UT 84116

# LEASED (VIA POOLING CLAUSE)/PARTICIPATING VOLUNTARY POOLED PARTIES:

A-8 Investment Company P.O. Box 17397 Salt Lake City, UT 84117

Alpine Springs, L.L.C. 4722 South Bountiful Drive Salt Lake City, UT 84010

Axia Energy, LLC 1430 Larimer Street, Suite 400 Denver CO 80202

Bart Miller and Annette Miller, as Joint Tenants HC 66 Box 27 Neola, UT 84053

Halcyon Exploration Company 309 Jersey Street Denver, CO 80220 Ada Lee Williams 23311 Wilderness Cove San Antonio, TX 78261

A-M, Inc., a Nevada Company 7350 Island Queen Drive Sparks, NV 89436-6406

B. Rauch Investments P.O. Box 270415 Houston, TX 77277

Becky Jo Gebhart Jackson 3971 South 1750 East Vernal, UT 84078

Black Stone Minerals Company, LP c/o Black Stone Natural Resources, L.L.C. 1001 Fannin, Suite 2020 Houston, TX 77002-6709

Charles B. Stringham, Trustee of the Stringham Mineral Trust 7394 South Union Creek Way, #13G Midvale, UT 84087 [Undeliverable] Christine Louise Stoker 2202 Point Bluff Drive Austin, TX 78746

Club Oil & Gas, Ltd. 66 Inverness Lane East Englewood, CO 80112

David J. Askanase 2455 Dunstan Road, APT 173 Houston, TX 77005-2302 [Address updated 8/3/2015]

David Lee Clark 24851 Pluma Road Malibu, CA 90265 DCP Investments, LLC 1365 Ambassador Way Salt Lake City, UT 84108

Doris Kathryn Huber Walker P.O. Box 317 LaPoint, UT 84039 Doyle H. Clark and Kathy H. Clark, as Joint Tenants HC 67 Box 11M Fort Duchesne, UT 84026

Eldon Lewis Jones 260 Riverside Drive, Apt. 6A New York, NY 10025 Elizabeth Sanford Jones Reel 600 Wilcrest Drive, #52 Houston, TX 77042 [Undeliverable]

Equitable Life and Casualty Insurance Company P.O. Box 2460 Salt Lake City, UT 84110 Nedene Jacobsen 512 McKittrick Ridge Road Georgetown, TX 78633-5720 [Address updated 8/3/2015]

Kris Murri 1121 N. Crown King Avenue Washington, UT 84780 Irene Day 140 Tuacahn Drive, #73 Ivins, UT 84738

Jean LaGrone 2447 Hauge Road Midvale, ID 83645 Sindy Neuburger 321 W. Palomino Drive Chandler, AZ 85225 BryAnn Bingham 817 Village NW Bainbridge Island, WA 98110

Vicki Leiderman Rosenfeld 52110 Avienda Novarro La Quinta, CA 92553

Glen C. Bills Properties 3034 South 2520 East Salt Lake City, UT 84109

Harry L. Wirick, Jr., as Trustee of the Margaret S. Wirick Trust under Trust Agreement dated August 26, 1997 907 South Detroit, Suite 722 Tulsa, OK 74120

Virginia L. Battelstein Segall 1600 Augusta Street, Suite 444 Houston, TX 77057 [Undeliverable]

Myrna Bregman Schaffer 510 Bolton Place Houston, TX 77024-4601

Joseph Robert Pulaski 5555 Dalemonte, Unit 1803 Houston, TX 77056

Marsha J. Rueff 1130 Trailridge Lane Dunwoody, GA 30338 George P. Mitchel The Mitchel Family Corp. 24 Waterway Avenue, Suite 300 Spring, TX 7738-3289 [Address updated 7/29/2015]

Glenn J. Huber, or his successor, as Trustee of the Shirley Huber Family Living Trust executed April 1, 1982
P.O. Box 154
LaPoint, UT 84039

Hatch Group, Ltd. P.O. Box 171139 Salt Lake City, UT 84117

Heirs and/or Devisees of Clayton N. Smith c/o Judy Wild, Independent Administrator 14027 Memorial Drive Box 345 Houston, TX 77079

Richard Pulaski 5100 Westheimer Road, Suite 472 Houston, TX 77056

Barry Pulaski 4920 A. Center Street Houston, TX 77007

Betty Berger 5786 Westminster Place St. Louis, Missouri 96113

Freddie Sue Fisherman 10322 Stardust Boise, ID 83709 Diana F. Crispi 2801 Oakhurst Avenue Los Angeles, CA 90034

Barry Fisherman 77 West 24th Street, J Apt. 30 A New York City, NY 10010

Cathy Berger Kaye 13108 Warren Avenue Los Angeles, CA 90066

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Deborah Shapiro Real de los Reyes #238 Col. Los Reyes Coyoacan Mexico City, C.P. 04000 Mexico Edith S. Lewis 14 East Greenway Plaza, Apt. #20P Houston, TX 77046

Judith Sud Morris 209 Rivulet Lane Lakeway, TX 78738 [Undeliverable]

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Roberto Bessudo Privada de Tamarindos #7 Apt. 906 Col. Bosques de las Lomas C.P. Mexico City, C.P. 05120 Mexico

Monica Shapiro #385 Apt. 701 Col. Lomas de Chapultepec Mexico City, C.P. 11000 Mexico

Doris Shapiro
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Mexico City, C.P. 03100
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Lillian Shapiro Fuente de Neptuno #42 Col. Lomas de Tecamachalco Edo. De Mexico, C.P. 52780 Mexico

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Marilyn Morris 1617 West Temple Lane, APT 2208 South Jordan, UT 84095-2464 [Address updated 8/3/2015]

Betty Mae Clark 1824 South 250 East Orem, UT 84058-7841 [Address updated 8/3/2015]

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David Moore 6672 South Columbia Dr. West Jordan, UT 84084

LeAnn Moore 6672 South Columbia Dr. West Jordan, UT 84084

Deborah Hamiter 101 Palo Verde Drive, Apt. 512 Henderson, NV 89015

Dawn Dotson P.O. Box 311 Panaca, NV 89042 Becky Higgenbotham 621 East Mill Road Mesquite, NV 89027 [Undeliverable]

Charlotte Law 1127 Santa Helena Dr. Henderson, NV 89002

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Sherryl Louise Cullens 5545 South 3400 West Roy, UT 84067

Cynthia Brown 2152 West 220 North, Apt. A Provo, UT 84601-2239

Sandra Brown P.O. Box 93432 Las Vegas, NV 89193-3432

David Brown 6486 Chettlehouse Lane Las Vegas, NV 89122

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Edward Siwik Moore 2160 South Yellowstone Hwy. Idaho Falls, ID 83402

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Richard R. Ross 1055 Woodbridge Drive Helena, MT 59601

Ronda Crown 8041 Villa Armondo St. Las Vegas, NV 89131

John William Hubbell 6955 N. Hill Ct. Parker, CO 80134

Wilma Bernice Tufford Kentner 561 East 3050 North North Ogden, UT 84414 [Address updated 7/22/2015]

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Irene Louise Boyle 1347 Rolling Sunset Street Henderson, NV 89052

James C. Reeder 512 Foothill Road Beverly Hills, CA 90210

Jennifer Huge PO Box 173 Aberdeen, NC 28315-0173 [Address updated 8/3/2015]

Jessie Don Clark HC 67 Box 11P Fort Duchesne, UT 84026

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John D. Rowe, Trustee of the John D. Rowe Living Trust, dated February 2, 2000 989 W. 5<sup>th</sup> Avenue West Dickinson, MD 58601-3834

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Kenneth Huber, or his successor, as Trustee of the Joe Ann Shepard Huber Family Living Trust executed March 15, 1983 P. O. Box 56 LaPoint, UT 84039

Leonidas Ludwell Jones, III 4455 Camp Bowie, Suite 114, PMB 27 Fort Worth, TX 76107

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Mary Lou Huber, or her successor, as Trustee of the Mary Lou Huber Family Living Trust dated November 1, 1983 P. O. Box 55 LaPoint, UT 84039 Mark C. Wallace and Dona E. Wallace, Trustees of the Wallace Family Trust dated October 16, 2014 304 S. State Street, Apt. 37-2 Roosevelt, UT 84066 [Undeliverable]

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Terrance Edward Taylor 1330 South Duguesne Circle Aurora, CO 80018 Stringham Sheep LLC 867 Lizze Lane Saint George, UT 84790

Terry Russell Pitt and/or Taralynn Deal, as joint tenants 180 Pollux Drive Rock Springs, WY 82901

Verlie A. Stringham McCarrel, Trustee of the Verlie A. Stringham McCarrel Trust 875 West 100 North Vernal, UT 84078

William K. Farnsworth HC 67 Box 11R Ft. Duchesne, UT 84026

Sandra Lynn Rummel 1900 Helen Lane Lewisville, TX 75067

Glen Foster 17 Cherryhill Avenue Scarborough, Ontario M1C 1W9 Canada

Barbara Foster
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Canada
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Saundra Moore-Beyer 639 W. 5<sup>th</sup> Avenue Midvale, UT 84047

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Joseph Robert Ostrander 175 E. 8<sup>th</sup> Avenue Sun Valley, NV 89433

Sonya Pierce 414 Scenic Drive Henderson, NV 89002

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Donna Haraway 312 Cleveland Avenue Santa Cruz, CA 95060

James P. Curran 2583 S. Iris Street Lakewood, CO 80227

Erin Christine Shaffer 30 E. Calle Laureles Santa Barbara, CA 93105 Terry Griffin 9 W. 3<sup>rd</sup> Avenue Kennewick, WA 99336

Sharon Griffin Launer 2720 NW Cascade Avenue East Wenatchee, WA 98802

Marci Griffin Whitehall 505 Bittner Road Yakima, WA 98901-8084 [Address updated 8/3/2015]

Susan Seekins P.O. Box 37 West Kennebunk, ME 04094

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Edward Lawrence Curran, IV 6900 E. Wethersfield Court Columbus, GA 31904

Patricia Curran Settles P.O. Box 1068 Conifer, CO 80433

John Curran 4396 S. Quail Street Littleton, CO 80217 Adrian Curran 973 S. Osceola Street Denver, CO 80219

David W. Curran 1650 Fillmore St., Apt. 2105 Travis, CO 80206

Michael Curran, Jr. 1318 Sky Haven Road, SE Atlanta, GA 30316

Stonegate Resources LLC 4994 East Meadows Drive Park City, UT 84098

Bank of the West (Beneficiary under 3/24/15 Deed of Trust with Robert L. Bayless Producer LLC; Book 1428/Pg. 446) 621 17<sup>th</sup> Street, Suite 103 Denver, CO 80293-0603 [Address updated 7/29/2015]

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George Hoover, life estate 78 South Ville Franche Circle St. George, UT 84770

Dale A. Meagher P.O. Box 122 Vernal, UT 84078

Mary Curran Trostel 17264 Weld County Road 12 Fort Lupton, CO 80621

Karlene Jackson 281 North 700 East North Salt Lake City, UT 84054

Janet George 1701 Lancaster Pocatello, ID 83201